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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

15 JUL 1976

MEMORANDUM FOR: Mr. Andrew Marshall
Director of Net Assessment
Department of Defense

SUBJECT : Military Economic Advisory Panel

1. As agreed in our telephone conversation on Friday, I have attached two documents that define the Panel's charter. The first of these is the proposal to the DCI in May 1972 that it be established, and the second is the Panel's own description of its task in its second report in January 1976. You have rightly raised the question of collection and you will note that it is not mentioned in either document. Nevertheless, the Panel has in fact concerned itself with collection matters and has made recommendations in this field.

2. We understand that you will in due course furnish us with your ideas on what should be in a revised charter. We are prepared to invite Messrs. Laffer and Dam to join the Panel if you would like us to, and will look to you for suggestions as to further additions to the membership.

[Redacted Signature]

RICHARD LEHMAN

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Attachments (2)

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MAY 1972

DCI Military-Economic Advisory Panel

Background and Functions

1. For more than 15 years CIA's Directorate of Intelligence has been producing estimates of Soviet defense expenditures as part of its responsibilities for the production of economic intelligence on the USSR. This activity has provided a service of common concern to all agencies in the national security community interested in analyses of Soviet military forces and programs. Interest in our work in this area has increased greatly over the past two years or so, at least in part because of economic developments in the United States which have focused attention generally on the expenditure implications of defense activities. It is clear that the intelligence on Soviet defense spending provided to the US decision-maker must be of the highest quality. To this end an advisory panel of outside experts can help to insure that the best possible job is being done.

2. Specifically, it would be necessary for the panel members first to become thoroughly familiar with the data base and methodologies now being used in the Directorate of Intelligence. This would require a fairly substantial initial investment of time--on the order of one to two weeks--on the part of the panel members. It would be necessary, for example, for the panel to gain a solid appreciation of the intelligence sources and quality of the evidence on all aspects of Soviet military forces and programs. This would be a first order of business and could only be achieved by several days of detailed briefings and study of selected finished intelligence studies.

3. At the completion of an initial phase of study and familiarization--within, say, about six

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months--the panel would be expected to advise the Director of Central Intelligence on three important aspects of the military economic analysis now being performed in the Directorate of Intelligence:

--Evaluation of data sources

--Evaluation of methodologies

--Critique of finished intelligence studies:
do they address the right question? do they utilize appropriate cost concepts? do they adequately measure levels and changes in levels of weapons development, procurement, and deployment and the operating activities of the forces?

4. The panel would be a continuing body to be called upon for assistance as deemed necessary by the DCI. In particular the panel would be expected to perform a follow-up review of its initial recommendations. Annual joint meetings lasting up to several days would be needed, supplemented by periodic meetings of CIA personnel with individual panel members, as required. Other members of the community would be given the opportunity to brief the panel. Such meetings would be arranged through the auspices of CIA.

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SECOND REPORT

22 January 1976

MILITARY-ECONOMIC ADVISORY PANEL (MEAP)

Panel Members:

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I. INTRODUCTION

A. The Charge to the Panel

The aims established for MEAP were described in the Panel's First Report (1 July 1974) as follows:

The establishment of a CIA Military-Economic Advisory Panel was approved by the Director of Central Intelligence to advise the Deputy Director for Intelligence on the present adequacy, validity, and usefulness of CIA's military-economic work, and on possible ways to improve it.

The US national interest requires careful evaluation of Communist military and economic activity. Its dimensions and details are complex and very incompletely revealed by the countries involved. Serious differences of opinion face US policymakers in evaluating available evidence. The problem is to minimize uncertainty and inconsistency, and to marshal the evidence persuasively in forms directly applicable to decisionmaking.

The Panel was asked to make suggestions for improvements in:

- a) the formulation of intelligence questions,
- b) research tasks to undertake,
- c) research methods to employ,
- d) ways to organize the research effort, and
- e) the form and scope for disseminating research findings.